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ATTORNEYS AT LAW

April 26, 2000

EX PARTE – By Electronic Filing

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 12th Street, SW
Washington, DC 20554

Re: Coalition for Affordable Local and Long Distance Service Proposal –
CC Dockets 96-262, 94-1, 96-45, 99-249

Dear Ms. Salas:

On April 26, 2000, Donald Cain (of SBC), Pete Sywenki (of Sprint), Robert Blau (of BellSouth), Joel Lubin (of AT&T), Scott Randolph (of GTE), Ed Lowry (of Bell Atlantic), David Gray (on behalf of Valor Communications), Karen Gulick and I (on behalf of the Coalition for Affordable Local and Long Distance Service) met with Rebecca Beynon, Legal Advisor to Commissioner Furchtgott-Roth. We discussed the points raised in the supplemental Reply Comments of GTE and CALLS, as well as in the attached written presentation.

In accordance with FCC rules, I am filing copies of this letter in each of the above-captioned dockets.

Sincerely,

A handwritten signature in black ink, appearing to read "John T. Nakahata".

John T. Nakahata

Counsel to the Coalition for Affordable Local and
Long Distance Service

JTN/krs
Attachment
cc: Ms. Rebecca Beynon

CALLS

Coalition for Affordable Local and Long-Distance Service

The CALLS Plan

CALLS

Coalition for Affordable Local and Long-Distance Service

MEMBERS: ***AT&T, Bell Atlantic, BellSouth,
GTE, SBC and Sprint.***

PURPOSE: ***The **CALLS** plan will improve
competition, promote technological
innovation, lower long distance bills
and preserve affordable universal
telephone service for all Americans
through access charge reform.***

THE PROBLEMS CREATED BY TODAY'S INTERSTATE ACCESS CHARGE REGIME

- *System of charges created assuming local telephone monopolies, not competition.*
- *Means to promote social and political goals (universal service) relies on unsustainable implicit subsidy.*
- *Raising long distance prices through higher per minute access charges, artificially raises rates for all consumers and hurts residential subscribership.*
- *System of charges discourages rural and residential competition and investment, including broadband.*
- *Precludes fixed-rate, "Internet-style" pricing.*

FCC'S TELECOMMUNICATIONS REFORM PRINCIPLES

- ***“Preserve and enhance universal service.” Sec. 254***
- ***“Rapid introduction of competition in all markets.”***
- ***“Promotion of facilities-based competition, investment and innovation.”***
- ***“Reduced regulation.”***
- ***“Certainty in the market.”***
- ***“Administrative practicality.”***

The CALLS Plan Will:

- *Remove impediments to rural and residential competition.*
- *Free the marketplace to provide more flat-rate, “Internet-style” pricing plans.*
- *Ensure affordable rural and low-income telephone rates.*
- *Make simpler, less confusing phone bills.*
- *Create a 5-year regulatory “cease-fire” between long-distance and local phone companies on access charge reform, increasing competition and encouraging new investment.*

THE CALLS PLAN: THREE COMPONENTS

- 1) Simplified, phased-in restructuring of access charges to move to a more flat-rate pricing system, but with lower bills for low volume long distance residential consumers.**
- 2) An explicit, \$650 million “safety net” to keep rural telephone rates affordable.**
- 3) Per minute interstate access charges are cut in half, with federal price regulation of local companies simplified and stabilized for five years.**

CONSUMER BENEFIT	NEW CALLS PLAN	ORIGINAL CALLS PLAN
Combination of Subscriber Line Charge (SLC) and Presubscribed Interexchange Carrier Charge (PICC)	<p>Combining the SLC and PICC will result in immediate cash savings of at least \$1.15 per month for customers. The slight increase in the SLC of 85 cents per month (to \$4.35) is more than offset by the elimination of the Carrier Line Charge (used to recover the PICC from customers), which was scheduled to rise to \$2.00 per month.</p> <p>The SLC cap (which would not be reached until July 2003) is set at \$6.50, less than the \$7.00 called for in the original proposal.</p>	<p>The combined SLC and PICC would be capped during the first year at \$5.50.</p> <p>The SLC cap would have risen by July 2003 to a maximum of \$7.00</p>
Elimination of Monthly Usage Minimum Charge for Low-Volume Users	<p>To ensure that low-volume customers also benefit from any per-minute access charge reductions, AT&T has committed to eliminate its \$3.00 monthly usage minimum charge for its basic schedule residential customers. Additionally, Sprint has committed to continue its policy of offering at least one long distance plan with no monthly usage minimum.</p> <p>Even customers who make few long distance calls will see significant savings – about \$3.00 to \$4.00 per month per line.</p>	<p>Did not eliminate the monthly usage minimum charge.</p> <p>Did not offer comparable monthly cost savings for low-volume users</p>
Lower Long Distance Bills	Per-minute access charges will be reduced by \$2.1 billion in total, resulting in lower long distance bills.	No change
Universal Service	Creates a new \$650 million universal service fund, helping to ensure affordable phone service for all Americans, regardless of income or geographic location. Competition will be enhanced, especially in small towns and rural communities.	No change
Lifeline Program Enhancements	Low-income customers will continue to be exempt from paying the Subscriber Line Charge, resulting in cost savings to these customers.	No change
Simpler Phone Bills	Multiple charges are combined into one	No change

AT&T and ILEC Customer Impacts of Proposed CALLS Plan

July 1, 2000

Customer A: Zero User

Customer B: Light User

Switch Plan to One Rate Basic

Minutes of Calling: 0

Minutes of Calling: 10

Monthly Savings: \$4.68

Monthly Savings: \$2.62

Plan	Basic	Basic
Charges	Current	Proposed
Usage	\$0.00	\$0.00
MUC	\$3.00	\$0.00
USF	\$1.38	\$0.00
PICC*	\$1.51	\$0.00
AT&T Total	\$5.89	\$0.00
ILEC SLC	\$3.50	\$4.35
ILEC USF	\$0.00	\$0.36
Grand Total	\$9.39	\$4.71

Plan	Basic	One Rate Basic
Charges	Current	Proposed
Usage	\$2.00	\$1.90
MUC	\$1.00	\$0.00
USF	\$1.38	\$0.16
PICC*	\$1.51	\$0.00
AT&T Total	\$5.89	\$2.06
ILEC SLC	\$3.50	\$4.35
ILEC USF	\$0.00	\$0.36
Grand Total	\$9.39	\$6.77

*** Scheduled to Increase to \$2.00 in July 2000**

\$650 Million Interstate Access USF is Reasonable for 5 Years

- Estimates in the record prior to CALLS varied widely:
 - HAI version 5.0a \$250 million
 - Rogerson/Kwerel \$1.9 billion
 - USTA \$3.9 billion
- Estimates using FCC HCPM vary widely:
 - Texas Counsel/CFA/CU \$0 (fully averaged)
 - AT&T \$623 million
 - US West \$1.2 billion
- 5 year interim allows for reasonable review of results

Access USF Principles

- Retail SLC deaveraging and USF will be on same geographic zones as state approved UNE zones
- SLC rates should not exceed predetermined caps
- Access USF amount is portable and available to all eligible telecommunications carriers providing service in those zones receiving support

Modified CALLS Plan Promotes Facilities-Based Loop Competition

- Portable, explicit USF promotes residential and rural competition, and does not shield ILEC revenue from competition.
- USF and deaveraged SLCs increase revenue from providing rural loop service.
- Combining residential SLCs and PICCs eliminates consumer confusion and gives correct pricing signals.
- Reliance on competition to reduce end user rates encourages alternative loop investment.

Modified CALLS -- No Competition Policy “Problems”

- No one claims that switched access rates are predatory.
 - ALTS endorses ultimate rates.
- No one alleges that end user line charges will cross-subsidize switched access rates.
- No one alleges that rural end user charges will cross-subsidize urban end user charges.

Legal Issues – 254(k)

- *Southwestern Bell Telephone Company v. FCC*,
153 F.3d 523, 558-559 (8th Cir. August 19, 1998)
 - “Section 254(k) was not designed to regulate the apportionment of loop costs between end-users and IXC’s because this allocation does not involve improperly shifting costs from a competitive to a non-competitive service.”
 - “Because the SLC is a method of recovering loop costs, not an allocation of those costs between supported and unsupported services, § 254(k) is not implicated.”

Legal Issues

Smith v. Illinois Bell

- NARUC v. FCC, 737 F.2d 1095 (D.C. Cir. 1984)
 - Smith “did not hold that the FCC must order recovery of costs allocated to its jurisdiction through usage-based charges.”
 - The SLC “simply requires all telephone subscribers to pay, on a per-line basis, for that portion of their necessarily-incurred local telephone plant costs assigned under Smith to the interstate jurisdiction.”

Support for the Modified CALLS Plan

- AFL-CIO
- Communications Workers of America
- Alliance for Public Technology
- National Assn. of Development Organizations
- National Grange
- Citizenship Education Fund of Rainbow/PUSH
- League of United Latin American Citizens
- Telecommunications for the Deaf
- National Assn. for the Deaf

Support for the Modified CALLS Plan

- United Homeowners Association
- Consumer Alliance of the Southeast
- Jefferson County Committee for Economic Opportunity
- National Assn. of Women Business Owners
- National Business Association
- National Council of Senior Citizens
- Justice for All
- National Assn of Commissions for Women

Support for the Modified CALLS Plan

- The National Trust for the Development of African-American Men
- United States Hispanic Chamber of Commerce
- Frank Bowe
- National Council on the Aging
- United Senior Health Cooperative
- National Hispanic Foundation for the Arts
- American Assn of Business Persons with Disabilities
- American Assn of People with Disabilities

Support for the Modified CALLS Plan

- Americans for Competitive Telecommunications
- The Consumers Alliance
- Consumers First
- Cuban American National Council
- Dialogue on Diversity
- Hispanic Education Foundation of the American GI Forum on the US
- Hispanic Federation
- National Assn of Hispanic Federal Executives

Support for the Modified CALLS Plan

- National Council of
Hispanic Women
- National Puerto Rican
Forum
- National Hispanic
Council on Aging